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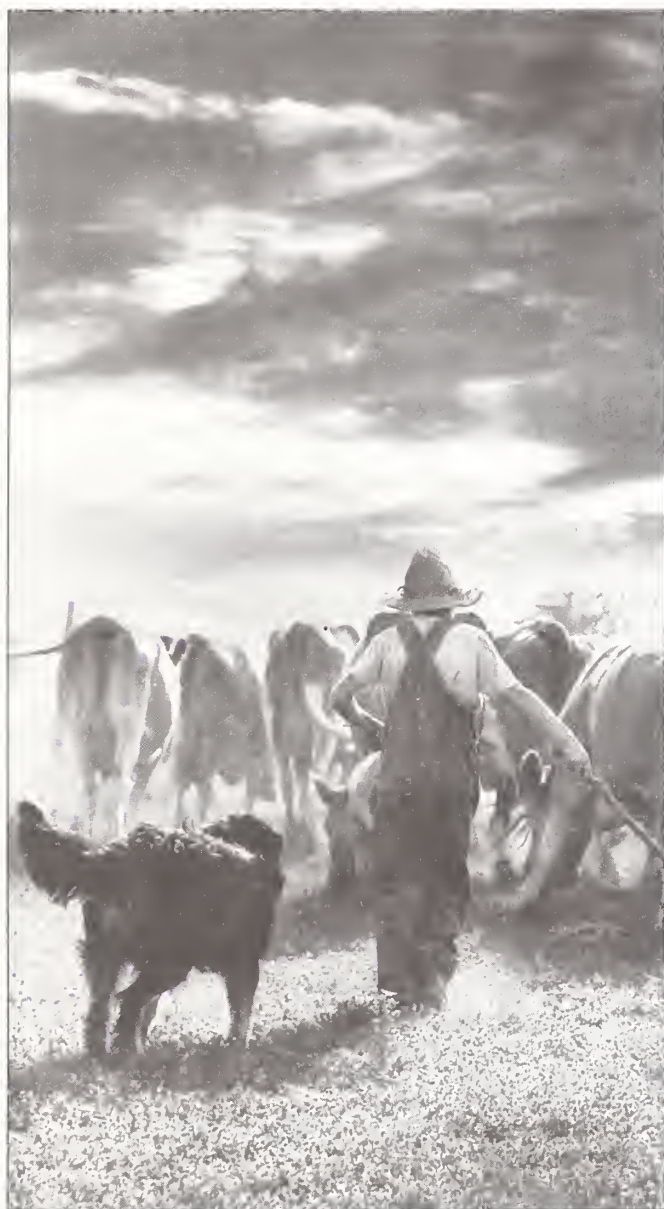
ARED

Economic and Social Research for Rural America

News

Agriculture and Rural Economy Division
Economic Research Service
U.S. Department of Agriculture

Spring 1992



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ARED NEWS

Spring 1992

Economic and Social Research for Rural America

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 Kevin Towland--pgs. 5 & 8.

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Rural Development Perspectives

In This Issue

The June-September 1991 (Volume 7, Issue 3) issue of *RDP* contains:

"1980's A Decade of Broad Rural Stress," by **Kenneth L. Deavers (OD)**. Employment declines in farming, mining, and manufacturing combined to trigger a decade of economic hardship for rural areas. Service industries were a growth spot, but their low-wage, low-skill jobs and the lack of opportunity in other rural industries encouraged the more highly educated to resume the historical pattern of moving to the cities.

"Europeans Strive To Untangle Rural from Agricultural Policy," by **Priscilla Salant (Washington State University)**. The European Community is finding, like the United States and Canada, that farm policies are not efficient means to promote a rural agenda. The trick, in Europe and elsewhere, is to figure out what kinds of policies have a better chance of succeeding. Spurred by a desire to cut huge agricultural subsidies, Western Europeans have commissioned a multinational study of how farm families actually make their living. Preliminary results of that study are summarized here. They're not all that different from the U.S. experience.

"Canadian Rural Policy Mostly a Regional Matter," by **David Freshwater (University of Kentucky)**. A similarity of rural problems in Canada and the United States has not engendered similar solutions. Political differences between the two countries lead to some differences in approach. The Canadian central government, for instance, is less involved in such internal matters than the U.S. Government. Its primary role in such matters has been to ensure access to health care and to make transfer payments to individuals.

"Upgrading Workers' Skills Not Sufficient To Jump-Start Rural Economy," by **Ruy A. Teixeira (HRI)** and **Lawrence Mishel (Economics Policy Institute)**. As a development strategy for rural areas, raising the educational level of rural residents has limited value. Rural employers' demand for better educated employees has slowed, and low education among the workforce has probably not hampered rural growth as much as other factors have. A further complicating factor: with enhanced educational levels and work skills, rural residents may be better employees, but they may also want to put those upgraded skills to work for a city firm.

"New Rural Businesses Show Good Survival and Growth Rates," by **James P. Miller (HRI)**. Rural startup businesses are, contrary to popular myth, less likely to fail within their first 5 years than are urban startups. That was the case in the early to middle 1980's, anyway. This analysis of recently released data may give new hope to rural entrepreneurs, creditors, and development officials.

"State Enterprise Zones in Nonmetro Areas: Are They Working?" by **Kenneth L. Robinson (RTD)** and **Richard J. Reeder (FDP)**. Hundreds of counties across the Nation have enterprise zones whose aim is to stimulate businesses, usually by giving them some tax breaks. In return, the assisted businesses must create jobs and invest in economically distressed areas. In transplanting these zones, chiefly an urban phenomenon, into a rural setting, most new rural jobs crop up in low-paying manufacturing industries.

Rural Indicators: "Rural Banks in Good Shape, S&L's a Potential Trouble Spot," by **Clifford Rossi (Office of Thrift Supervision)**.

Book Reviews: "Agriculture and National Development," reviewed by **Anne B.W. Effland (NEH)**; "Japanese Part-Time Farming: Evolution and Impacts," reviewed by **Donn A. Reimund (FRE)**, and "Locality and Inequality: Farm and Industry Structure and Socioeconomic Conditions," reviewed by **G. Andrew Bernat, Jr. (HRI)**.

Short Subjects: "Innovating Smalltown Finances"; "Youthful Entrepreneurs"; "Home Again"; Rural Health Atlas"; "Minor League Baseball a Rural Amenity" compiled by **Louise Stutzman**, and "Senior Citizens Help Meet Rural Transportation Needs", contributed by **Judy Garza (Department of Transportation)**.

Personnel Actions

Linda Ghelfi will assume the editorship of *Rural Development Perspectives* when **Molly Killian** leaves ARED for the University of Arkansas this June. Linda will bring her outstanding organizational skills and publications experience as editor of *Rural Conditions and Trends* to her new position. Linda's research background is in rural earnings and income. Molly has done a fine job as editor of *RDP* and we hope she finds her new job challenging and rewarding.

In other changes, **Sue Bentley**, *RDP* board member for four years and Associate Editor for the last year, has resigned her position due to a heavy workload of competing priorities. We will miss Sue's skillful

contributions to making RDP the quality product that it is. The board welcomed **Anicca Jansen** (economist, FDP) as a new member. **Steve Landale** joined the board as a publications specialist.



Steve Landale

Steve Landale (ENFP) is a publications specialist for *Rural Development Perspectives*. A graduate of Cornell University's Urban and Regional Studies program, Steve never expected to find himself working on rural issues. But this position meshes well with his roots: Steve grew up in Williamsport, a town nestled in the wooded highlands of Northcentral Pennsylvania,

widely known as the home of Little League Baseball, the Schemp Toy Train Collection (largest in the world), and the World Headquarters of Shop-Vac Wet/Dry Vacuum Cleaners.

Steve's sharp career focus has included busing tables at Williamsport's "The New Busy Bee" Diner (with waitresses Penny, Peanut, and Marlene), excavating a basement in 90 degree heat, cooking tofu stir-frys at a vegetarian cafe, editing Persian Gulf War pool reports for U.S. News Wire, and tutoring university students and instructors in writing.

Steve lives in Adams Morgan, where he enjoys eating out, playing basketball (Can't Jump OR Shoot, but has fun anyway), ultimate frisbee, jogging, cooking, and writing. He volunteers as a small group leader for Lifespring, a company that offers experiential education courses for adults.

Rural Conditions and Trends Report

Winter 1992 Issue

OVERVIEW: "Unemployment Remains High as Recovery Stalls," by **Linda Ghelfi** (HRI).

NATIONAL ECONOMIC CONDITIONS: "Recovery Pauses in Fourth Quarter," by **Jennifer Beattie** and **Ralph Monaco** (NEH).

NATIONAL ECONOMY LINKS TO RURAL AREAS: "Employment Mix Will Change by 2005," by **Karen Hamrick** (NEH).

EMPLOYMENT: "Rural Employment Falls," by **Tim Parker** (HRI).

UNEMPLOYMENT: "Rural Unemployment Remains High," by **Paul Swaim** (HRI).

Spring 1992 Issue

OVERVIEW: "Rural and Urban Unemployment Rates Converge, Other Gaps Remain," by **Linda Ghelfi** (HRI). Rural and urban unemployment rates converged in late 1991. But, rural-urban gaps in earnings, income, and poverty rates remain wide. Better educated rural people continue to move to urban areas.

NATIONAL ECONOMIC CONDITIONS: "Sluggish Economy Continues," by **Jennifer Beattie** (NEH) and **Ralph Manaco** (NEH). The overall economy remains sluggish, despite low inflation and interest rates. Movements in consumer spending and long-term interest rates will largely determine where the economy is headed.

EMPLOYMENT: "Rural Employment Falls in 1991," by **Timothy S. Parker** (HRI). The recession hit rural areas as employment dropped by 267,000 workers in 1991. Rural employment fell for almost all major demographic groups, with younger workers, men, and Hispanics hardest hit. But, the decline in rural employment appeared to have slowed by the end of the year.

UNEMPLOYMENT: "Rural Unemployment Stays High in Fourth Quarter 1991," by **Paul Swaim** (HRI). Rural unemployment remained unchanged in the fourth quarter of 1991 at 6.9 percent. The recession caused unemployment to increase slightly more in urban than in rural areas in 1991. By the second half of 1991, rural unemployment was no higher than urban unemployment for the first time in over a decade.

INDUSTRY: "Goods-producing Industries Added More Rural Than Urban Jobs in 1989," by **Andy Bernat** (HRI) and **Martha Frederick** (HRI). Three-quarters of rural job growth during 1989 was in service-producing industries. However, despite the faster growth of services and government and a tripling of the number of farm jobs lost, goods-producing industries provided more new jobs in rural areas than in urban areas.

EARNINGS: "Rural Earnings Gap Persists," by **Linda M. Ghelfi** (HRI). Rural earnings per job were lower than urban earnings in all regions in 1989. Lower rural earnings in every industry contributed to the gap.

INCOME: "Household Income Remains Lower in Rural Areas," by **Robert Hoppe** (FSFA). Median household income in 1990 remained lower in rural than in urban areas. Rural income levels were low for minorities, particularly Blacks. Household income was more equally

distributed in rural areas and suburbs than in central cities.

POVERTY: "Rural Poverty Still High," by Robert Hoppe (FSFA). Poverty rates remained higher in rural areas in 1990 than in urban areas for all population groups. The share of the rural poor in families headed by women has grown over time, reflecting increases in the proportion of rural people living in such families. The Family Support Act mandates automatic withholding of child support from an absent parent's pay to help these families.

POPULATION: "Nonmetro Net Outmigration Stops," by John B. Cromartie (HRI). Migration flows to and

from nonmetro areas have caused little, if any, overall population change since 1988-89, compared with the preceding 6 years. However, outmigration of younger and better educated workers remains a persistent problem for nonmetro communities.

Rural Conditions and Trends is published four times per year. The subscription price is \$14 for 1 year. Send check or money order to ERS-NASS, Box 1608, Rockville, MD, 20849-1608. Make check or money order payable to ERS-NASS. You can charge your subscription to VISA or MasterCard, or use the toll-free number 1-800-999-6779 to start your subscription.



OFFICE OF THE DIRECTOR

Papers Presented and Meetings Attended

Molly Killian and Dave Sears (FDP) attended a meeting of the Rural Policy Research Institute in Kansas City, January 16-17. The Institute was formed by the Universities of Arkansas, Missouri, and Nebraska and the purpose of the meeting was to establish research guidelines for the Institute.

David Harrington represented ARED and ERS management at the annual Training School for the Farm Costs and Returns Survey held in Clearwater, Florida, January 27-31. He spoke on the views held by ERS management on farm-level data collection and management that is used for financial, production, and chemical-use analyses.

David Harrington attended the meetings of the AAEA Task Force on Cost of Production Methods in Tuscon, Arizona, February 16-18. The Task Force is attempting to delineate valid uses and methods for cost of production budgets. It was formed in response to a February 1991 conference on Economic Accounting for Commodity Costs and Returns sponsored by ERS, the Farm Foundation, Extension Service, and AAEA.

Ken Deavers was the Chair and Sara Mazie the U.S. Delegate at the third meeting of the OECD Council Group on Rural Development in Paris, March 16-19. The Group adopted findings and conclusions that Secretary Madigan drew on in his statement at the Ministerial meeting held in May.

Sara Mazie spoke at the organizing meetings of the Iowa and the Oklahoma Rural Development Councils. This first meeting was in Des Moines on May 7 and the second in Oklahoma City on May 21. Iowa is the ninth and Oklahoma is the tenth State to establish such

councils under the President's Rural Development Initiative. Sara discussed the importance of considering local development in a larger National and global context.

Briefings and Miscellaneous

David Harrington presented a seminar to ERS staff on January 24, titled "Ontario's Agricultural Stabilization Policy and Possible U.S. Policy Reform."

On January 30, Ken Deavers participated on a panel for the Congressional Research Service on "Community and Economic Development: Rethinking the Federal Role."

Sara Mazie briefed the 1992 participants in RFF's National Center for Food and Agricultural Policy Leadership Development Program. She discussed the structure of the rural economy and some of the forces that are increasing economic disparity between urban and rural America.

FARM AND RURAL ECONOMY BRANCH

View From The Branch

By Tom Carlin, Branch Chief

We had a number of important personnel actions during the past quarter. We welcomed Doug Rhoades who joined our staff as our new Branch Office Manager. Fred Gale and Susan Bentley recently received the Administrator's Superior Service Award for outstanding achievement in producing the comprehensive monograph titled *Farm Financial Stress, Farm Exits, and Public Sector Assistance to the Farm Sector in the 1980's*. Also, Fred Gale and Tiffany Mills were promoted. Congratulations to Fred, Susan, and Tiffany.

Staff analysis is a major unseen product of our staff and the past quarter was particularly active in this area. Sharing some of the topical inquiries gives perspective on what is on the hearts and minds of some of the people here in Washington. There were a number of requests for background information on farming and the role that farming plays in particular State economies. These requests typically precede travel by a senior Departmental official. Farm labor issues were on the "front burner," particularly as the Commission on Agricultural Workers prepares its report to Congress.

Also, analyzing the trends in farm wages and employment since the Immigration Reform and Control Act of 1986 has been of particular interest to the Commission on Agricultural Workers. FRE staff are finishing a study addressing this question for the Commission, who will likely publish the study later this year.

Agricultural labor staff also provided background materials on labor use in agriculture for those involved in the North American Free Trade Agreement talks. Finally, we continue to get requests for information on the effects that the expanding alternative uses of farm commodities have on rural economies.

Staff analysis is important for several reasons. It not only provides information for important clients (e.g. Departmental Officials), but it also helps us "firm up" our research program. For example, a few years ago we began to get a number of requests to estimate the effects of drought on rural economies. Fred Hines and his section took deliberate action to improve or customize their analytical "tool kit" so that they could better deal with this type of impact assessment question. The investment in research capital has paid off. We are in a much better position to answer these types of questions today as a result of their efforts. Maybe there is something to Say's law, because we now seem to be getting more staff analysis requests for impact assessment on rural economies than before.

Personnel News

Doug Rhoades

Douglas A. Rhoades joined our staff in April 1992 as our new Branch Office Manager. Doug came to ERS from United Press International (UPI) where he was a manager involved in network administration and provided administrative and technical management for a international network that delivered news, photos, and radio broadcast programs to UPI clients. Doug, a native

of the Washington metropolitan area, holds a B.A. degree in economics from George Mason University in Fairfax, VA.

Agricultural and Community Linkages Section

Research and Analysis

Dennis Brown is currently investigating the changing nature of the red meat and poultry industries as they affect the economies of local communities. Because of stronger backward linkages, the regional employment impact of a change in final demand in meat processing was larger for counties specializing in the red meat industry than for counties specializing in the poultry industry. This finding emphasizes the differences between the red meat and poultry industries in creating regional economic growth.

Publications

Jackie Salsgiver and **Alex Majchrowicz** wrote an article based on the Section's work in farm and farm-related industries titled "Shifts in Farm-Related Employment." It appears in *Agricultural Outlook*, March 1992, and shows that although farm and farm-related industries as a whole gained jobs between 1975 and 1988, employment on the farm declined and most of the job expansion occurred in agricultural wholesale and retail trade establishments. The Section's data was also used in a North Dakota State University (NSDU) publication, "The Role of Agriculture in the North Dakota Economy", coauthored by Alex with Randal C. Coon and F. Larry Leistritz (both of NDSU).

Papers Presented and Meetings Attended

Jackie Salsgiver and **Alex Majchrowicz** attended the Western Regional Science Association (WRSA) Conference in Lake Tahoe, Nevada, February 23-27.

Both presented papers. Jackie also chaired a session and Alex served as a discussant.

Jackie's paper, coauthored with **David McGranahan** (HRI), "Growth Patterns of Adjacent Nonmetropolitan Counties in the 1970's and 1980's," analyzed population changes in such counties. Although preliminary, the analysis shows that the population growth of adjacent counties depends on factors related to both the types of nonmetro counties in general (such as region), and the characteristics of the local metropolitan areas (such as population size and population change). Further investigation is planned to add a density measure to the analysis.

Alex's paper, "The Importance of Farm and Farm-Related Employment in the U.S. West", is part of his ongoing work to track employment changes in farming and its associated industries. The paper focused on the size of the agricultural sector and its changing composition in eleven Western States. Much of the discussion at the conference centered on whether or not businesses that have weak linkages to agriculture, such as grocery stores and eating and drinking establishments, should be considered farm-related. Alex's paper deals with this issue by estimating employment in five industry groups: (1) farm production and agricultural services, (2) agricultural inputs, (3) processing and marketing, (4) wholesale and retail trade of agricultural products, and (5) indirect agribusiness. These aggregations allow users of the data to decide what they feel is or is not part of the agricultural sector.

Dennis Brown presented a paper "Assessing the Regional Impact of Changes in the Livestock and Poultry Industries" at the annual meeting of the Association of American Geographers. The meetings were held in San Diego, April 18-22.

Briefings and Miscellaneous

Mindy Petrulis along with **Betsey Kuhn**, **Neil Hohmann**, **James Hrubovcak**, **Matthew Rendleman** (all of RTD) and **Mark Peters** (ATAD) visited BioEnergy International, L.C. in Gainesville, Florida. BioEnergy holds the exclusive worldwide license to a University of Florida-developed technology that permits the production of ethanol from renewable, non-food biomass, primarily cellulose. The company is in the final planning stage for the construction of a 5-million gallon per year ethanol plant to be located in Southwest Florida. The plant will make ethanol from lawn wastes, wood wastes, certain agricultural wastes, and waste paper.

Agricultural Labor Section

Research and Analysis

As part of ARED's Action Program for Workforce Diversity, the Section has a cooperative research agreement with Janet Bokemeier of Michigan State University. She will analyze strategies used by Michigan farm and farmworker households for allocating household resources to sustain themselves economically. It will also examine factors that affect the success of various types of livelihood strategies. Data to be used in the study are from an eight-State study, including Michigan, that addresses family, structural, and organizational issues in the dairy industry. The agreement supports Virginia Dawson, a Ph.D. candidate in rural sociology, who will initially be involved in a review of the literature and in the development of typologies reflecting different strategies. **Leslie Whitener** and **Janet Bokemeier** serve as co-project leaders on this research agreement.

Publications

Jim Duffield and **Robert Coltrane** have a journal article in the May issue of the *American Journal of Agricultural Economics*. Its title is "Testing for Disequilibrium in the Hired Farm Labor Market." The paper develops a farm labor market model using simultaneous equations. Stability tests on the model imply that markets are efficient at allocating farm labor without government interference.

A Profile of Hired Farmworkers, 1990 Annual Averages (AER 658) by **Victor Oliveira** was released in February. The report is the first in a new series examining the demographic and employment characteristics of hired farmworkers, using data from the Current Population Survey earnings microdata file. An average of 886,000 persons age 15 years and older were employed per week as hired farmworkers in 1990. Hired farmworkers tend to be younger and less educated than other wage and salary workers and are more likely to be male, Hispanic, and never married. The median weekly earnings of hired farmworkers was \$200, significantly less than the median \$360 for all wage and salary workers.

Papers Presented and Meetings Attended

Victor Oliveira participated in "The Changing Face of Agriculture," the annual conference for Minorities in Agriculture, Natural Resources and Related Sciences (MANRRS) held at Purdue University, April 3-4. Vic presented a paper titled "An Overview of Migrant Farmworkers," which discussed the difficulties of collecting data on migrants and some of the economic problems migrants face.

At this year's Farm Costs and Returns Survey (FCRS) workshops **Leslie Whitener** and **Jack Runyan** assisted in training the supervisors of enumerators who will be conducting the FCRS. Questions submitted by the Section concerning injuries and illnesses to operators, family and unpaid workers, and hired farmworkers resulting from farm work were included in this year's FCRS.

Jack Runyan attended the Annual Meeting of the National Council of Agricultural Employers (NCAE) in Orlando, FL. NCAE's annual meetings provide a forum for presenting and discussing Federal and State laws and regulations affecting agricultural labor relations. The highlights of this year's meetings included discussions of the following: (1) the Americans with Disabilities Act, (2) revisions of the Migrant and Seasonal Agricultural Workers Protection Act, (3) potential reforms to the Occupational Safety and Health Act, (4) the future of foreign worker programs, and (5) concerns about complying with Environmental Protection Agency and Department of Labor standards.

Upcoming Events

Jim Duffield is planning a symposium called "The Post-IRCA Farm Labor Market" for the American Agricultural Economics Association meetings in Baltimore, August 9-12. The speakers will share their viewpoints on how the Immigration Reform and Control Act of 1986 has affected farmworkers, labor management, and production of labor-intensive crops.

Farm Structure Section

Publications

An Agricultural Information Bulletin titled *Midsized Farms in 1987*, by **Nora L. Brooks** was released in April. The report profiles midsized commercial farms with annual sales of \$50,000 to \$249,999. Midsized farms, particularly those with annual sales under \$100,000 have been declining a faster rate than all farms, but are still an important part of America agriculture. Midsized farms accounted 20 percent of all farms, 40 percent of all farmland, and 34 percent of the value of farm sales in 1987. They also has the highest participation rate in Government farm programs of any size group of farms, primarily because of the prevalence of cash grains as the primary product produced.

Papers Presented and Meetings Attended

Alan Bird presented a poster at the Annual Meeting of the Institute for Alternative Agriculture Inc. at the National 4-H Center, Bethesda, MD, March 2-3. He also developed a companion brochure that is available on request from Alan at (202) 219-0521. The title of the poster is "Sustainable Agriculture in the Great Plains -- Virtual Large Farms and Exurban Communities."

Tom Carlin, Donn Reimund, and Neal Peterson travelled to Ottawa, Canada, May 18-21, to meet with agricultural economists of Agriculture Canada. They presented seminars on the scope and status of recent ERS research on the structure of agriculture. Tom Richardson, Fu Lai Tung, Ray Bollman, and Phil Eranstat made similar presentations for Canada. The two groups of economists planned joint research on agricultural structure topics of concern to both countries.



FARM SECTOR FINANCIAL ANALYSIS BRANCH

View from the Branch

By James Johnson, Branch Chief

The Branch accomplished some important tasks in recent months. Several of the Branch's staff participated in an American Agricultural Economics Association (AAEA) Task Force on Commodity Costs and Returns Accounting in February. Also various staff members accepted a number of writing assignments

aimed at drafting a handbook of methods and procedures for use in commodity costs and returns accounting. I am pleased with the enthusiasm shown for this activity, especially since we have the Departmental responsibility for developing estimates of commodity costs and returns for major field crops such as corn and cotton. Altogether, the Branch develops estimates for nine different crops, seven of which are mandated by Congress.

In addition to her task force related duties, Mary Ahearn deserves special recognition for publication of

the book, *Costs and Returns for Agricultural Commodities: Advances in Concepts and Measurement* (Westview Press, Mary Ahearn and Utpal Vasavada editors). Also, Mitchell Morehart, Hosein Shapouri, and Robert Dismukes published a report titled *Major Statistical Series of the U.S. Department of Agriculture Volume 12: Costs of Production* that updates the estimation procedures and data sources used by USDA in developing its cost estimates. Both publications are timely, given the AAEA Task Force objectives.

The staff who work on the farm sector income and balance sheet estimates program spent a considerable amount of time thinking about the organization and content of the Economic Indicators of the Farm Sector (ECIFS) National and State financial summary reports. The intent is to provide a "user friendly" report that helps data users better understand and interpret the agricultural sector financial data contained in the summary reports. Little-used data will be dropped from the reports. At least one new time-series of correctly constructed ratios that measure farm sector financial performance will be added. These financial ratios will be used in forecasts, Agricultural Income and Finance Situation and Outlook Reports and for farm-level data provided in the Farm Costs and Returns Survey. Historic data for the financial ratios will be published in the ECIFS. This set of financial performance data is expected enhance the Branch's ability to monitor changes in financial conditions.

Another accomplishment in the Branch is the new income forecast model developed by Bob Dubman and Bob McElroy. The new model is so much more efficient in data entry, manipulation, and transfer among computer routines that we anticipate reducing the amount of time spent in preparing monthly forecasts by half! The time freed from "number crunching" will be spent on sharpening our interpretation of the forecasts and on expanding the Branch's farm financial analyses.

The Branch produced some long anticipated reports in recent weeks. Also, there are several reports in the draft stage that analyze the following: (1) inequality of income distributions among farm operator households, (2) production practices and cost distributions for rice, wheat, and other crops, (3) the use of financial statements in management decisions, and (4) the financial performance of specialized wheat farms. These reports will provide better understanding of the financial performance of farm businesses and farm operator households.

Economic Indicators Forecasts Section

Research and Analysis

Bob Dubman reviewed and restructured the farm income forecasting model. Farm income and its components are forecast monthly for the Agency's *Monthly Update* and are published quarterly in *Agricultural Outlook* and ARED's *Agricultural Income and Finance Situation and Outlook* report. The forecasts require projection of cash receipts for 32 commodity groups, Government program payments for 11 commodities, CCC loan activity for 9 crops, inventory adjustments for 25 commodities, 24 types of expenses, 15 output indices, 35 price indices, and several other farm-related income items. Net incomes are also forecast by region and by type of farm.

The current system consists of running 9 BASIC programs in 16 source files with an additional 20 LOTUS spreadsheets forecasting Government payments, seasonally adjusting income and expenses, preparing the monthly update tables, and calculating a number of other items such as capital expenditures, output indices, and depreciation. Bob's new model combines all the above into one LOTUS spreadsheet that contains all the raw data, the forecasting equations for all the financial indicators, the final tables ready for publication, and graphical analysis for each component. We anticipate a time saving of 50 percent in preparing farm income forecasts using the new model. Both models will be run simultaneously over the summer to calibrate the new model. We plan to convert to the new model in the fall.

Meetings Attended

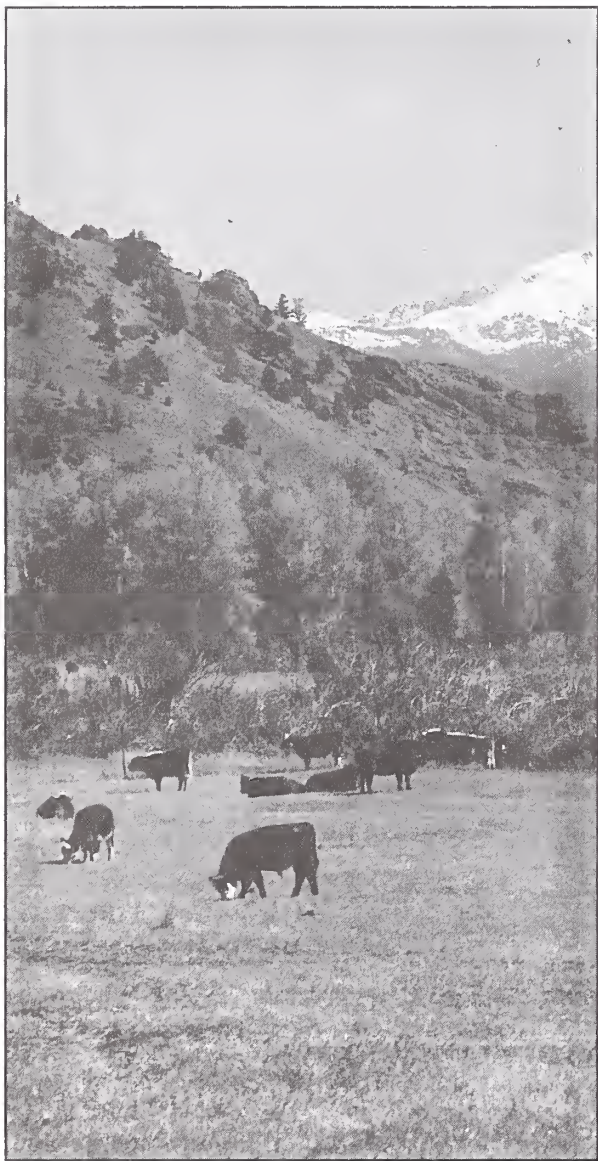
Bob McElroy attended the Farm Costs and Returns Survey training school in San Diego in January. The meeting gave Bob the opportunity to meet many of NASS' State statisticians and discuss data needs from the perspective of forecasting commodity receipts.

Briefings and Miscellaneous

John Lee (Office of the Administrator) appointed Bob Dubman to represent ERS on NASS' committee to evaluate and update the Prices Paid Index. FSFA uses this index to forecast the expenses for the short-term and baseline farm income and to forecast the costs of production. NASS uses a market basket approach to weight the prices of the many agricultural inputs. These weights need to be adjusted as new products and new technology are introduced. The last major revision to the weights was in 1976. Contact Bob at (202) 219-0807 if you have concerns about definitions or the proper use of these prices paid indexes.

Upcoming Events

Bob Dubman is currently using the 1987-90 Farm Costs and Returns Surveys to analyze the financial characteristics of specialized farming and ranching operations. A series of Agricultural Information Bulletins on specialized farming was published a few years ago, but that analysis was for one point in time only. The new analyses updates the earlier research and gives a 4-year time-series analysis to better study how agriculture is changing. Wheat farms are being examined first, to be followed by other types of specialized farms and ranches.



Farm Costs and Returns Section

Publications

Mitchell Morehart, Robert Dismukes, and Hosein Shapouri (CED) published *Major Statistical Series of the U.S. Department of Agriculture: Costs of Production* (Agricultural Handbook No. 671, Vol. 12). in March. It is a revised handbook describing the procedures used to calculate the annual cost of production estimates.

State-Level Costs of Production: Major Field Crops, 1987-89, by Mir Ali was released in May. ERS has been estimating the costs-of-production (COP) for major U.S. crops since 1974 using COP data obtained from the Farm Costs Returns Survey. This report presents figures on the average use of machines and quantities of selected inputs used. It also gives the State-level production costs and returns that are consistent with the regional and U.S. weighted averages published in the *Economic Indicators of the Farm Sector: Costs of Production--Major Field Crops*.

U.S. Rice Production Practices and Costs, 1988 by Michael Salassi was released in May. This report describes production practices of rice farms in major rice-producing areas of the U.S. for the 1988 production year. Production cost estimates including and excluding Government payments, as well as distributional information about variable cash expenses, are also included.

Briefings and Miscellaneous

Mitchell Morehart, Robert Dismukes, and Dargan Glaze attended the first meeting of the Task Force on Recommendations for Commodity Costs and Returns Measurement Methods in Tucson, Arizona, February 16-18. Morehart is part of the Task Force Steering Committee which organized the Task Force. Robert is participating on the subcommittee which is evaluating cost of production report content and structure. Dargan is part of the subcommittee investigating data verification, editing, updating, and sharing. The Task Force is scheduled to meet again in Baltimore, Maryland, August 12-13.

Dave Harrington (OD), Jim Johnson, and Mir Ali met with Stephen Naught and other representatives of the National Barley Growers Association to discuss ERS's estimation methodology for production costs and returns, and the barley questionnaire for the forthcoming 1992 Farm Costs Returns Survey (FCRS). Also, the group discussed land rent calculation, statistical reliability, and economic costs and returns to risk and management.

Several Section members participated in the editing and reviewing process of the 1991 Farm Costs and Returns Survey. **Bill McBride** assisted State edits of data from Missouri, **Robert Dismukes** assisted State edits of Georgia data, and **Michael Salassi** assisted with Texas data.

Gerald Whittaker and **Bing Hwan Lin (RTD)** gave a seminar on modeling the financial effects of constraints on pesticide use for a group of professors visiting ERS from several Japanese universities.

Michael Salassi met with **Randy Jones** and **Barb El-Osta** from the General Accounting Office in January at ERS concerning their investigation of the Federal farm program for rice.

Michael Salassi attended the 24th Rice Technical Working Group Meeting held in Little Rock, Arkansas, February 23-26. He presented a paper "Locational Concentration in U.S. Rice Production," which investigates how changes in Federal farm programs have influenced the concentration of the production of rice in the United States.

Michael Salassi and **Nathan Childs (CED)** met with **Dr. Jin-Hwan Park**, Dean of the Agricultural Cooperative College in Seoul, South Korea, and with representatives from the U.S. Office of the National Agricultural Cooperative Federation in Korea to discuss the production and marketing of rice in the United States.

Upcoming Events

Section members are preparing to analyze the 1991 Farm Costs and Returns Survey.

Farm Financial Analysis Section

Research and Analysis

Ken Erickson travelled to the University of Florida on March 30 and met with **Rick Weldon** and **Chuck Moss**, Food and Resource Economics Department, on several joint ERS and University of Florida research projects. The projects include: (1) regional analysis of farm financial ratios and (2) farm and non-farm sector rates of return comparisons.

Ken also met with **Sean Chance** and **Harold Ballou**, the graduate students selected to work with FSFA staff this summer as part of ARED's Action Program for Women and Minorities. They discussed various research proposals in preparation for their internships with ERS.

Charles Barnard and **Duane Hacklander** participated in the national training schools for the annual Farm Costs and Returns Survey (FCRS). They instructed staff from each State Statistical Office on the intent of questions related to an operator's balance sheet. Charles also helped teach the Kansas school for enumerators. They both assisted in editing individual responses for reasonableness.

Farm Firm and Household Well-Being Section

Research and Analysis

Janet Perry and **Mary Ahearn** have identified a group of farm households with limited opportunities. Although farm operator households are not a disadvantaged group overall, a sub-population of farmers exists who have not prospered financially, on or off their farms. Using data from the 1988 Farm Costs and Returns Survey, these limited opportunity farm households were defined by two criteria: (1) the households were associated with small farms, which are farms with less than \$100,000 in gross sales and assets valued at less than \$150,000, and (2) the households had household income from all sources below the official poverty threshold. In 1988, more than 200,000 farm operator households fell into this category. The farmers associated with these households were generally older and less educated than other farmers. They and other members of their households participated less in off-farm work.

Most farms in the U.S. are in the Midwestern States--about 40 percent in 1988--and most of the limited opportunity farm households are also in these States. Nearly one-third of the total 200,000 limited opportunity farm households are located in the twelve Midwestern States. Appalachia has a disproportionately higher number, compared to its total number of farms. The distributions in the South, Northeast and West are in much the same proportions as all farms.

From a financial point of view, farming has not been generous to these small farmers with very low off-farm incomes. About 70 percent of these farm operators lose money from their farm business. It is likely, however, that many are receiving other benefits from farming, such as a farm dwelling and a preferred lifestyle. Cash requirements to pay off farm debt and for living expenses are low. Their alternatives to farming--for example, moving into a city and searching for employment--may be less financially rewarding and may not offer the other benefits of staying on the farm.

Publications

"Overview of the Rural Poor in the 1980s," a book chapter by **Kenneth L. Deavers** (OD) and **Robert A. Hoppe**, was recently published in *Rural Poverty in America*. Cynthia M. Duncan edited the book, and Auburn House published it. The authors point out that public policy currently emphasizes the poor's responsibility to escape poverty through the labor market. A high ratio of potential job applicants to available jobs, however, suggests that work requirements for welfare recipients must be tied to job creation. Many of the rural poor belong to groups that cannot reasonably be expected to work, such as the aged, the ill, the disabled, and children. An acceptance of markets as a way to organize economic activity does not require unquestioning acceptance of the distribution of income that results. The challenge for poverty policy is to redress perceived inequity in the income distribution without unduly impairing the allocative and organizational roles played by the market.

A book titled *Costs and Returns for Agricultural Commodities: Advances in Concepts and Measurement* was published in February by Westview Press. **Mary Ahearn** was the author and **Uptal Vasavada** was the editor.

Papers Presented and Meetings Attended

Robert A. Hoppe participated in Dickinson College's Public Affairs Symposium in Carlisle, Pennsylvania, February 18. The topic of the symposium was "Poverty in America." **Bob, Peggy Ross** (OD), and **Leif Jensen** (Pennsylvania State University) delivered papers on rural poverty. Bob discussed some problems rural areas face in establishing the Job Opportunities and Basic Skills Training (JOBS) program for welfare participants. For example, in rural areas, training and educational facilities are more limited, public transportation is virtually nonexistent, and formal child care facilities are less common.

Mary Ahearn and **Janet Perry** have been active in the continued development of the 1991 Farm Costs and Return Survey data base. As usual, two week-long "schools" were held in January during which NASS and ERS staff from Washington, D.C., reviewed the details of the 1991 survey instrument for the NASS State personnel. Janet and Mary taught the sections on labor and characteristics of the farm household.

Mary Ahearn made a presentation at the Southern Agricultural Economics Association meetings in Lexington, Kentucky, February 2-5. Mary's presentation was titled "The Role of Government Policies in Farm/Rural Linkages." The presentation began with a

general overview of rural areas (e.g., population changes, incomes relative to urban areas, unemployment and poverty rates) and described ways in which farming and rural communities affect each other. Rural development and farm policies were reviewed for their relevance to the issue. Mary concluded that farming significantly affects communities only in some rural areas, and that the extent of opportunities in the local communities for off-farm employment is a more important force in the linkage issue. Even among people who farm full-time, nearly 50 percent of their total household income comes from off-farm sources; thus the health of the local nonfarm economy is critical to their financial well-being.

Mary Ahearn participated in a meeting of the "Task Force on Recommendations for Commodity Costs and Returns Measurement Methods" in Tucson, Arizona, February 16-18. The task force was organized as a result of a conference Mary organized a year ago through the Economic Statistics Committee of the American Agricultural Economics Association on the issue of alternative methods of accounting costs and returns. That conference concluded with participants recommending that a task force develop a set of standard methods. In the opening session of the Tucson meeting, Mary made a presentation to the group on the background of the task force.

Personnel News

Donald Bellamy and **Bob Hoppe** recently transferred to the Section from the Human Resource and Industry Branch. Donald is currently examining the educational attainment of farm operators and their households and the relationship between educational levels and farm operator household well-being. Bob will analyze the relationship between farm household well-being and the characteristics of areas where farmers live.

Sean Chance and **Harold Ballou** will be working with the Section this summer as interns. Both have just finished their first year in the M.S. program in the Food and Resource Economics Department at the University of Florida.

Farm Income Estimation SectionResearch and Analysis

In late March, preliminary information regarding State cash receipts and changes in inventories of farmer-owned commodities were given to BEA for incorporation into their individual proprietor's income accounts. This is done annually and is the first of many exchanges of data and information that will continue as

the development of the income estimates progresses through the summer months.

The farm income accounts are the bases for the farm sector's contribution to all of BEA's National Income and Product Accounts. BEA reorganizes some of the accounts to achieve consistency with accounting in other sectors of the National economy, but uses the estimates in its accounting. Achieving consistency with the Government sector is their primary concern, given the Government's heavy intervention in the Agricultural Sector via the CCC loan program, price and income support programs for many commodities, and several soil and water conservation programs.

Publications

The initial release of *Ranking of States and Commodities by Cash Receipts, 1990* by Roger Strickland, Cheryl Johnson, and Bob Williams has generated a substantial amount of interest from the media. The news services, local newspapers, and radio stations are using the publication as the basis for special interest reports about selected States. Articles about the report, written by Jack Harrison and appearing in the recent issues of *Farmline* and *Farmline News Service*, have publicized it and brought it to the attention of the portion of the news media interested in stories with a local focus. Continued interest has been shown by the number of telephone inquiries from reporters seeking additional information for their reports.



FINANCE AND DEVELOPMENT POLICY BRANCH

View from the Branch

By Pat Sullivan, Branch Chief

Following the President's State of the Union address in January, a Departmental effort was begun to review USDA regulations with the aim of reducing the burden that these regulations impose on the private sector, and thereby fostering economic growth.

As part of this effort, many members of the Branch and "volunteers" from other Branches reviewed regulations promulgated by the Farmers Home Administration (FmHA) and the Rural Electrification Administration (REA). During much of February and March, **Bob Collender, Anicca Jansen, Steve Koenig, Jim McGlone, Jim Mikesell, Rick Reeder, Tom Rowley, George Wallace, Ron Babula (NEH), Jim Ryan (FSFA)** and I were busy assisting these Agencies carry out this review process.

Together, the FmHA/REA regulatory review team prepared 39 formal reviews and 13 informal docket reviews of proposed regulatory changes that ranged from minor alterations in application procedures to complex and controversial changes in program requirements. Each formal review included an examination of the costs and benefits of the proposed regulation and assessed its likely impact on economic growth. Since it often takes a considerable amount of time to interpret a regulation and to assemble and evaluate information on the affected program, the regulations that were on a "fast track" underwent a shorter informal review that provided a cursory evaluation of potential economic impacts.

After a relatively slow first quarter, the Branch has been unusually busy with other staff requests as well. Virtually everyone in the Branch, but particularly **Gwen Coleman, Mike Compson, Ted Covey, Doug Duncan, and Ron Durst**, have been involved in the following staff analyses: (1) falling interest rates, (2) the President's growth agenda and health insurance proposals, (3) various tax proposals, (4) alternative uses of agricultural products, (5) the GATT negotiations, and (6) the annual Appropriations Hearings and Departmental consolidation studies.

As a result of this flurry of unanticipated activity, our research plans have had to take a back seat to pressing Departmental activities. Conference presentations have been cancelled and the publication schedules of several reports have been stretched into the future.

Branch Office

Publications

The June-September issue of *Rural Development Perspectives* (Vol. 7, No. 3) includes a "Rural Indicators" piece by Cliff Rossi (formerly with ERS, now with the Office of Thrift Supervision). The article's title, "Rural Banks in Good Shape, S&L's a Potential Trouble Spot," summarizes Cliff's analysis. From 1985 through 1989, commercial banks headquartered in nonmetro counties registered impressive gains based on most financial indicators. For rural-headquartered savings and loan associations, upturns in financial trends have been more recent and modest.

Papers Presented and Meetings Attended

Pat Sullivan represented ERS at the Southern Region Program Advisory Committee, which met in Atlanta in

April to develop recommendations on the Southern Rural Development Center's (SRDC) program for the next 2 years. The committee is composed of research and Extension personnel from 29 Southern universities and colleges, together with representatives from USDA, the Farm Foundation, and the Kellogg Foundation. The Committee recommended that the SRDC support activities that address human capital development, health, infrastructure, and poverty, which are priority issues facing the rural South. The committee also recommended that the Center's staff develop closer ties with State governments, the State Rural Development Councils (developed as part of the President's Rural Development Initiative) and other regional groups active in rural development.

Briefings and Miscellaneous

Pat Sullivan participated in a briefing of B.J. Van Wyk and J.H. Smit, representatives from South Africa's Agricultural Economics and Financial Assistance Directorates coordinated by Harry Baumes (ATAD) in January. The South Africans were interested in the way ERS is organized and had a keen interest in the way U.S. farm credit programs and farm commodity programs interact.

Agricultural Finance Section

Research and Analysis

The annual State Farm Credit Survey, conducted in fulfillment of the terms of the U.S. and Canada Free Trade Agreement, was completed in March. All 50 States were surveyed with mixed responses. According to survey results, 30 States operated 68 agricultural credit programs during fiscal 1991, resulting in an estimated \$56.4 million subsidy to the farm sector. This represents a decrease of \$8.5 million from the previous year. **Douglas Duncan** had primary responsibility for this year's survey since the rest of the survey team was fully occupied with the Department's regulatory review process.

Robert Collender is analyzing the economic costs of Chapter 12 bankruptcy, due to end next year. Proposals have been introduced in the Senate to extend Chapter 12 for two more years. Bob's analysis indicates that, relative to Chapter 11, Chapter 12 roughly doubles bankruptcy costs, with total economic costs approaching 120 percent of the assets of firms declaring Chapter 12 bankruptcy.

Steve Koenig, Pat Sullivan, and Bill Herr (Southern Illinois University) are preparing a special survey on loan application information on FmHA guaranteed farm loans made during fiscal year 1988 that have since defaulted. Data collected earlier on a representative sample of guaranteed loans made in fiscal year 1988 and results from this follow-up survey will be used to analyze the determinants of default on these loans. FmHA hopes to use the results of this study to better target their guaranteed loan programs.

Publications

The February issue of *Agricultural Income and Finance: Situation and Outlook Report* (AFO-44) was coordinated by George Wallace and Jerry Stam, with contributions from 7 other analysts from FDP, NEH, and FSFA. Financial institutions serving agriculture continued to improve in 1991. Farmers remain careful about acquiring additional debt. Agricultural interest rates on new loans declined about 100 basis points in 1991, and are expected to show a similar decline in 1992. Farm banks now are the strongest institutions in the banking system. Guaranteed lending accounted for 69 percent of new FmHA farm loans in fiscal year 1991, up 58 percent from the previous year. Through loan restructuring and foreclosures, FmHA is reducing its delinquent loans. The Farm Credit System entered 1992 in an increasingly strong financial condition with a portfolio that has stabilized at roughly \$50 billion. Life insurance company portfolios also continue to improve. Farmer Mac I guaranteed its first loan pool in December 1991 while Farmer Mac II, which involves securities backed by FmHA-guaranteed loans, issued its first offering of \$1 million in April 1991.

AFO-44 includes two special articles dealing with agricultural lenders. "Bank Reform?" by Douglas Duncan identifies key provisions of the Federal Deposit Insurance Corporation Improvements Act of 1991 affecting agricultural banks. The most important sections of the bill are those that: (1) recapitalize the Bank Insurance Fund by expanding its borrowing power, (2) attempt to narrow the "too-big-to-fail" policy of regulators, and (3) increase regulation of bank activities in order to increase "safety and soundness" of insured banks. Agricultural banks should be in an improved position relative to other banks under this legislation. However, the banking sector may see less regulated, nonbank financial firms supplant them through outflow of deposits.

The second special article, "Changes in Farm Credit System Structure" by Robert Collender, reviews the structural changes within the Farm Credit System (FCS) that were precipitated by farm-sector financial distress and macroeconomic policy changes over the past

decade. Those changes include establishing institutions to assist or liquidate distressed System components and the reorganization of the Farm Credit Administration as an "arm's length" regulator.

"Determinants of Restructured Farm Loan Performance" by Glenn Pederson, Ananth Rao, and Michael Boehlje (all of the University of Minnesota) was published in the December 1991 issue of the *Southern Journal of Agricultural Economics*. Completed through a cooperative research agreement with ERS, the article applies a probabilistic model to cross-sectional data to identify determinants of loan performance of restructured Federal Land Bank loans. The results indicate that restructured loans were sensitive to factors that determine the debt repayment burden and the repayment ability of the restructured farm operations. Loan performance is found to be relatively more sensitive to the levels of the post-restructure interest rate and cash farm income than to the financial structure and leverage position of the restructured farm. The relationship between the post-restructure interest rate, cash farm income level, and the probability of loan performance are illustrated.

Financing Agriculture in a Changing Environment: Macro, Market, Policy and Management Issues: Proceedings of Regional Research Committee NC-161, published by the Department of Agricultural Economics, Kansas State University, contained two articles by Section members. "Potential Impact of Deposit Insurance Reform on Agricultural Banks" by Douglas Duncan discusses the following: (1) the potential impact of legislative change on capitalization and operation of the Bank Insurance Fund, (2) definitions and limits on insurable deposits, and (3) the level and nature of the assessment of insurance fees on commercial and agricultural banks. The report also discussed the historical development, current conditions, and pending legislation addressing each of the three features identified above.

The NC-161 proceedings issue also included "Farm Mortgage Volume: What is Available for Farmer Mac?" by Steve Koenig and James Ryan (FSFA). The authors estimated the volume of agricultural mortgages available for sale to the Farmer Mac secondary market. The study developed historical estimates of the annual volume of farm mortgages originated by different classes of lenders. Then, the Farm Costs and Returns Survey was used to estimate what classes of farmers qualify and how much of the \$80 billion in outstanding farm real estate debt qualifies for resale on the Farmer Mac secondary market. Results suggest that, at least initially, the volume available to the market will be relatively small because large groups of agricultural mortgages will not meet the underwriting



standards or are issued by lenders ineligible to sell into the market.

"Managing Farm Lender Interest Rate Risk with Financial Futures" by Ted Covey was published in the December issue of *Agricultural Income and Finance: Situation and Outlook Report* (AFO-43). This article discusses the sources and recent history of increased interest rate volatility in the U.S. farm sector. How interest rate volatility translates into financial risk to farm lenders and six different techniques for managing financial risk were briefly surveyed. Financial futures were discussed in-depth and recent research on their efficacy in reducing interest rate risk for farm lenders was reviewed. Ted concluded that by protecting farm lenders against unanticipated changes in interest rates, financial futures can reduce their exposure to income uncertainty.

"Regional Responsiveness of Agricultural Interest Rates to U.S. Treasury Bill Rates" by Ronald A. Babula (NEH), Douglas Duncan, and Utpal Vasavada (Visiting Scholar, RTD) was published in the December issue of *Agricultural Income and Finance: Situation and Outlook Report* (AFO-43). Changes in the U.S. Treasury Bill rate are shown to have regional differences in their effects on agricultural lending rates. Cattle loan rates, operating loan rates, and long term mortgage rates in the Kansas City Federal Reserve District are shown to have the swiftest and smoothest responses to a Treasury Bill rate decline. These results depend upon important differences in the data between Federal Reserve Districts. An extended version of this paper has been submitted for presentation at this year's American Agricultural Economics Association meetings.

"Farm Lenders in Strong Position," by Jerry Stam and George Wallace, was published in the March issue of *Agricultural Outlook* (AO-183). It noted that the financial condition of agricultural lenders continued to improve in 1991 and that additional gains are expected in 1992. Each of the four major types of institutional farm lenders -- commercial banks, the Farm Credit System, the Farmers Home Administration, and life insurance companies -- face unique challenges, but are in stronger positions than during the mid-1980's. With moderate loan demand and improved loan portfolios, agricultural lenders are focusing competitive efforts on maintaining or increasing market share. Farm debt is expected to increase 1-2 percent in 1992. This will be the second annual increase after 6 successive years of debt retirement.

Steve Koenig and Lindon J. Robison (Michigan State University) wrote a chapter titled "Market Value Versus Agricultural Use Value of Agricultural Farmland" in *Costs and Returns for Agricultural Commodities, Advances in Concepts and Measurement*, edited by Mary Ahearn (FSFA) and Utpal Vasavada (Visiting Scholar, RTD), and published by Westview Press. The chapter focuses on determining the agricultural and market value of farmland. The origins of commonly used farmland value and agricultural rent data are also discussed.

Profit Efficiency of Farm Credit System Associations (AGES 9155), by Robert Collender, Richard Nehring (RTD), and Agapi Somwaru (DCS) was released in November 1991. Results indicate many associations are efficient given short-run limitations on fixed investment and bad loans. However, as bad loans are written off and fixed inputs reallocated, most associations can improve efficiency.

Papers Presented and Meetings Attended

During March, the National Agricultural Credit Committee (NACC) held its semiannual meeting in Washington. NACC is comprised of representatives from agricultural lenders and their trade organizations, Federal regulators, other Federal agencies interested in agricultural lending, and selected research organizations. It is an information exchange forum that has focused on agricultural finance since 1942. **Jerry Stam** serves as secretary of the committee and is responsible for organizing the program and meeting.

Briefings and Miscellaneous

Jerry Stam, Steve Koenig, Susan Bentley (FRE), and Fred Gale (FRE) received an Administrator's Special Merit Award for superior service for outstanding achievement in producing *Farm Financial Stress, Farm Exits, and Public Sector Assistance to the Farm Sector in the 1980's* (AER-645).

Mr. Jeong Hak-Soo of the Korea Rural Economic Institute met with **Douglas Duncan, Steve Koenig** and **James Mikesell** to discuss the U.S. system of financial institutions which provides agricultural credit. The Farm Credit System, the Farmers Home Administration, the commercial banking system, and life insurance companies were identified by the roles they play. Jeong was surprised that most U.S. farmers paid some semblance of market interest rates for credit. In Korea, all agricultural credit is subsidized.

Mr. Doo Bong Han and Mr. Kwang Eon Sul of the Korea Rural Economic Institute met with **Douglas Duncan** and **Steve Koenig** to discuss the policy context of U.S. agricultural credit and credit-providing institutions. Doo was interested in Federal-State roles in credit provision and some of the historical Federal Farm Bill discussions relating to agricultural credit. He was also interested in the reason for the existing market shares of credit institutions as well as reasons for changes in those shares over time. Doo also asked for an assessment of future policy prospects relating to Federal agricultural credit policy.

Robert Collender spoke to a delegation of Polish agricultural economists, including representatives from Polish universities and government officials. Topics of discussion included how various U.S. lenders determine interest rates on agricultural loans and the U.S. experience with subsidized credit for and direct government lending to the farm sector.

Jerry Stam was named to the membership committee of the Northeastern Agricultural and Resource Economics

Association. This is a three-year assignment with Jerry serving as chairperson in 1994.

Upcoming Events

In June, **Robert Collender** and **Steve Koenig** will discuss U.S. agricultural finance with a group of Mexican economists and political leaders by satellite link-up arranged through the U.S. Information Agency.

Robert Collender has organized a symposium on Farm Credit System research priorities for the American Agricultural Economics Association Conference in Baltimore this summer. Presenters will include John Brake (Cornell University), Dave Freshwater (University of Kentucky) and Dave Trechter (Congressional Budget Office).

George Wallace will present a paper discussing the role of consumer loans in the development of local retail businesses at the Mid-Continent Regional Science Association meeting in Stillwater, Oklahoma, in June. The paper presents results of an ongoing investigation of the relationship existing between consumers, businesses and related banks in local rural communities.

Personnel News

Patty Wilder is working as a summer intern in the Section. A recent graduate from the Agricultural Economics Department of Mississippi State University, Patty is working on research projects concerning the Farm Credit System and State agricultural finance programs.

Government and Development Policy Section

Research and Analysis

Tom Rowley is serving as chair of the Annual Rural Development Strategy Report Task Force, which is part of the President's Rural Development Initiative. The annual report will describe the Administration's rural development strategy.

Bill Amt, who works in the Section on a part-time basis, recently completed his master's thesis for George Washington University's Department of Urban Planning and Real Estate Development. "Planning for Employment Decline Due to Industrial Adjustment: The Case of the Textile and Apparel Industries in the Rural Southeast" examines six Southeastern States (Alabama, Georgia, North Carolina, South Carolina, Tennessee, and Virginia) and finds that 38 percent of

their nonmetro counties are highly dependent on employment in textiles and apparel. Automation in the textile industry and increasing import penetration in the apparel industry led to nonmetro employment declines in both of these industries during the 1980's. These trends are expected to continue and could be hastened if the Multi-Fiber Agreement is phased out and the North American Free Trade Agreement is ratified, which many industry analysts believe will encourage domestic apparel manufacturers to move to Mexico.

The textile- and apparel-dependent communities of the rural Southeast may be especially hard hit by such changes. Displaced textile workers have traditionally had a difficult time finding new jobs, because of either the non-transferability of their skills or the inability of the small local economy to absorb them. There is concern that displaced apparel workers may take even longer to find new jobs, and that the majority may take positions that pay even less than their previous low-paying jobs. Bill recommends that localities proactively implement strategic economic development planning to diversify their economies so that anticipated layoffs at local textile and apparel mills will not devastate the local economy, and so that displaced workers have more local employment choices.

Peter Stenberg has been examining the regional economic returns to research. Research and education have been acknowledged by scholars and policymakers to be an important, arguably the most important, factor in economic development for the country. He is examining the theoretical underpinnings of university and government research's contribution to economic growth. Previous studies have focussed on the returns to research at the National level with special emphasis on the agricultural sector. His study is building a framework to analyze the efficiency and impact at a regional level.

Publications

Dave Sears and Norm Reid (Rural Development Administration) have edited a set of papers about rural development strategies that have demonstrated effectiveness and presents an assessment of the state of research on rural development strategies. A special issue of the *Policy Studies Journal* (PSJ), Spring 1992, Volume 20, Number 2, includes seven articles edited by Dave and Norm: (1) Kurt Finsterbusch and Daniel Kuennen (University of Maryland) examine how business recruitment has been used as a rural development strategy by counties around the Chesapeake Bay. (2) Margaret Dewar (University of Michigan) looks at the factors that determine whether a business loan program will succeed or fail as a means to stimulate economic development in nonmetro areas.

(3) Thomas Stinson (University of Minnesota) provides an overview of tax increment financing and what impact these subsidies have had on local residents. (4) Harvey Goldstein and Michael Luger (both of the University of North Carolina) describe the conditions that are normally required for research parks to be an effective rural development strategy. (5) The effectiveness of enterprise zones is covered by Richard Reeder and Kenneth Robinson (RTD). (6) Jan Flora, Gary Green, Edward Gale, Frederick Schmidt, and Cornelia Butler Flora examine the characteristics of successful self-development efforts. This article is based on a study carried out under a cooperative agreement with ERS; and (7) Robert Wilson (University of Texas) looks at the development implications of telecommunications innovations in nonmetro parts of the country.

The *PSJ* issue also includes an article by Keith Mueller (University of Nebraska) about State government policies and rural hospitals, and three essays pertaining to rural policy: (1) Ken Deavers (OD) writes about why policymakers need to be aware of the varying degrees of ruralness, (2) James Bonnen (Michigan State University) explores the reasons why the U.S. has no coherent and successful rural policy, and (3) William Galston (University of Maryland) provides an overview of the trends and choices facing rural America in the 1990's.

In the overview article, Dave and Norm draw some lessons learned about rural development strategies. They find that the strategy assessment articles underscore three principles policymakers should remember when devising rural development strategies. They are: (1) no strategy for rural development should be dismissed automatically as inappropriate, (2) there is no magic formula that will produce rural development in all places under any conditions, and (3) patient and careful analysis of each local situation is a necessary prerequisite to effective development programs. To assess the quality of rural development strategy research, the editors developed a methodology that rates the research on each strategy. While pleased with the amount of research completed to date, as well as the diversity of strategies that have been studied, Dave and Norm are disappointed with the shallowness of existing research, and with methodological and data quality shortcomings. The article concludes with suggestions for how to improve the quality of future rural development strategy research.

Dave and Norm will be editing a companion volume on rural development strategies for future publication, and would like to receive short proposals from any interested parties.



Rick Reeder and Ken Robinson (RTD) jointly published two articles on rural enterprise zones (EZs). Their article in the June-September issue of *Rural Development Perspectives*, "State Enterprise Zones in Nonmetro Areas: Are They Working?," reviews several studies that have examined rural EZ performance and adds their own analysis assessing the impact of rural EZs in terms of number and types of jobs created. Their *Policy Studies Journal* article, "Enterprise Zones: Assessing Their Rural Development Potential," includes a more comprehensive review of the literature on the enterprise zones and provides less detailed findings from the authors' own analysis. The authors find that rural enterprise zones are as effective as urban zones, though many of the jobs created in rural zones appear to be in low-paying manufacturing industries.

The November 1991 issue of *Economic Development Quarterly* includes an article by John Redman which presents a metro and nonmetro comparison of program performance and funding allocation under the Job Training Partnership Act's Title II-A program for the economically disadvantaged. Based on U.S. Department of Labor data from local programs, relative program performance appears to be better in nonmetro or predominantly nonmetro areas, although absolute performance levels should be a continuing source of concern. The program's funding allocation criteria, relying heavily on unemployment rates, also favored predominantly nonmetro areas during the program years (1986 and 1987) studied. During the 1990's, however, rural areas may be better served by a formula emphasizing poverty rates rather than unemployment rates.

The Aspen Institute recently published *Gearing Up for Success: How Can a State Organize Itself to Stimulate Rural Economic Development* written by Dave Sears, John Redman, Dick Gardner (Idaho Governor's Office) and Steve Adams (Maine State Planning Office). The book draws heavily upon the authors' experience at the 1990 Rural Policy Academy, organized by the Council of Governors' Policy Advisors. It is aimed at State-level policymakers, and should be especially useful to the newly emerging State Rural Development Councils.

The book lays out 11 key questions that a State will have to answer when embarking on rural development. Some are: (1) should programs be linked by a comprehensive approach, (2) should rural development activities be tied into a unitary State economic development plan, and (3) what should be the extent of, and basis for, targeting? The book also presents nine principles that should be followed when engaging in developing a State rural development strategy. Some of these are: (1) build upon previous work, (2) conduct a detailed analysis of the economy, and (3) create partnerships. The book contains many examples to clarify its general points.

Dave Sears is the lead author of *The State Rural Development Council Effort in 1991: A Progress Report*, which was published by the President's Rural Development Initiative in March. The report describes the work of the 8 pilot State Councils in their first year and makes recommendations for modifications in the operation of the Councils and the Washington D.C.-based support structure. The Council effort will be expanding to additional States over the next few months. Dave is chair of the Initiative's Outcome Monitoring Team, which will be overseeing an outside assessment of the entire Council effort over the next two years.

Papers Presented and Meetings Attended

Rick Reeder presented a paper titled "The Advantages and Disadvantages of the Use of Selected Economic, Social, and Fiscal Indicators in the Construction of a Federal School Policy-Impact Code for Nonmetropolitan Areas" at the April meeting of the American Education Research Association in San Francisco. His paper describes the issues involved in constructing a "policy impact code" that would classify the Nation's rural school districts using various criteria. Rick's paper is based on his earlier research on indicators used to target aid to distressed communities. It discusses the strengths and weaknesses of selected local-area indicators, be they economic, social, and fiscal, that might be relevant in an attempt to assess the external challenges facing rural school districts.

Peter Stenberg attended the annual meeting of the Southern Regional Science Association in Charleston, South Carolina and presented a paper, "Regional Economic Returns to Academic Research," on the relationship between higher education investments and regional growth. Peter reports that State investments in higher education institutions often seem to offer good payoffs in economic growth. Peter also chaired a session on migration and settlement patterns; papers covered the following: (1) military retirees in the Tennessee Valley, (2) the effects of income, race, family structure, social welfare system characteristics on destination choices of migrants, and (3) the changing patterns of interregional migration in the US.

John Redman is working on a study of the textile and apparel industry in the rural South. As part of his data collection and analysis, he has been meeting with a wide variety of experts on the industry. In April, John met with Judd Early, Director of the Textile and Clothing Technology Center (TC2) in Raleigh, North Carolina. TC2 is the major apparel research program in the U.S. and conducts a research program in apparel technology. It also maintains a demonstration facility which produces finished garments using these technologies: (1) computer-assisted pattern making and grading, (2) computerized fabric cutting and modular manufacturing, and (3) a new shopfloor organization aimed at reducing throughput time and in-process inventory while improving worker morale. Over the next decade, TC2 hopes to develop a production process that is linked with computerized body measurement at the retail level and can produce and deliver customized garments to the individual consumer in just 48 hours at "off the rack" prices. Dr. Early is optimistic that such a system would permit U.S. producers to compete against Far Eastern producers. However, he is concerned about an emerging Mexican apparel industry that may be able to out-compete the U.S. industry under the terms of the

North American Free Trade Agreement. Because of the strong concentration of the U.S. apparel industry in the rural South, the decline or demise of this sector would have a severe negative effect on many local economies throughout much of the South.

John also took part in a meeting on the skill requirements of textile industry workers held in Blacksburg, Virginia, in April. The meeting was attended by several Virginia Polytechnic Institute (VPI) faculty, State industrial extension agents, and the personnel manager of a large textile firm. The topic was changing skill requirements in the industry and how those changes affect educational needs. The group agreed that strong basic literacy skills, an ability to use computers for routine process control, an ability to work in teams, an ability to adapt to changing conditions, and an ability to easily learn new tasks are all skills more important now than in the past. The personnel manager emphasized the last aptitude, which he termed "learnability." These skills are often difficult to find in many Southeastern labor markets. The VPI faculty, working in conjunction with the State and the company, are planning to seek funding for in-plant skills assessments at a sample of best-practice textile companies. This information will then be used to define a curriculum for high schools, technical school and community colleges in the State.

The first annual National conference of State Rural Development Councils was held in Washington D.C., April 14-15. Council leaders from the eight pilot programs provided advice to the newly forming State councils. Representing ERS at the meetings were **Pat Sullivan, Dave Sears, Tom Rowley, John Redman, and Lorin Kusmin**. Other attendees included Federal agency personnel involved in rural development issues, and members of interest groups (such as the National Governors' Association, the Aspen Institute), and the Council of State Community Development Agencies.

Dave Sears and Molly Killian (OD) participated in a 2-day workshop in Kansas City, sponsored by the Rural Policy Research Institute, which is a joint venture of the Universities of Missouri, Arkansas and Nebraska. Rural development specialists from around the Nation discussed key research questions, such as the appropriate unit of analysis and the relationship between researchers and policymakers.

Briefings and Miscellaneous

The Partners in Rural Development brown bag lunch has been organized for a number of years by various USDA employees, mostly from ERS. **Anicca Jansen, Tom Rowley and Norm Reid** (Rural Development

Administration) are the current organizers. Over 300 individuals associated with government agencies and private sector interest groups throughout the Washington area are on the mailing list. The brown bag lunch is held on a monthly basis with topics varying across the full range of rural development issues. The series organizers are always open to suggestions for speakers or topics.

The March 6 luncheon speaker was Paulette Hansen, Senior Associate for Infrastructure for the Denver-based Center for the New West. She spoke on the likely impact of the 1991 Intermodal Surface Transportation Efficiency Act on rural America. The act gives States and localities greater flexibility in allocating surface transportation funds among transportation modes, such as highways and public transit, and among regions.

Ruth McWilliams, Assistant Director for Planning, Development & Marketing, and Susan Odell, National Rural Development Coordinator of USDA Forest Service's Cooperative Forestry Staff, spoke at the March 26 luncheon. They reviewed recent developments in Forest Service policy for rural development, including a short overview of their national strategy report, "Working Together for Rural America."

On April 21, Jana McKeag of the National Indian Gaming Commission spoke at the Partners' luncheon about the potential for economic development for Native American communities from gaming activities.

Anicca Jansen attended a seminar for senior-level women in USDA on the Department's ability to promote and retain women. The seminar was held in Annapolis, February 24-28. The topics covered included management by objectives, budget, interpersonal communication, workforce diversity, and management style. Anicca recommends that other ERS women enroll in future sessions of this seminar when the opportunity is available.

In April, Anicca Jansen joined the editorial board of *Rural Development Perspectives*. She and Tom Rowley have accepted an invitation to be joint Guest Editors of a special issue of *RDP* that will focus on current policy issues in rural development. Work on the special issue has begun.

Upcoming Events

Anicca Jansen, whose hometown in Minnesota is 15 miles from a successful casino, is preparing a paper on Native American gaming and its effects on local government finances. This paper will be presented at the annual Association of Collegiate Schools of

Planning conference in Columbus, Ohio, in late October.

Personnel Actions

Paul Barrett spent the spring as an intern with the Section. He developed a mailing list for the Section and identified sources of information for Section projects, such as the review of Rural Electrification Administration regulations. Paul also assisted John Redman with his research of the textile and apparel industries and Anicca Jansen with her municipal cost index study. Paul attends Indiana University of Pennsylvania, where he will graduate in August 1992 with a degree in economics. Upon graduation, Paul hopes to continue his education, studying economics in graduate school.



Rural Finance and Tax Section

Research and Analysis

Ron Durst and Michael Compson are utilizing the 1978 and 1988 Internal Revenue Service Individual Public Use Tax Files to examine nonfarm sources of income and tax characteristics of farm sole proprietors. Both the tax code and the farm sector underwent significant changes during the 1980's. This research will examine how these changes have affected farm sole proprietors.

Jim McGlone has received the long-awaited data from Federal Reserve Board of Governors' Survey of Small Business Finances. The survey data has 1,270 variables and covers a sample of 3,794 small businesses. Jim will use the data to compare and contrast metro and nonmetro firms' use and sources of financial services. He will also determine if the Shaffer and Pulver (University of Wisconsin) finding that Wisconsin bank markets are about 10 miles in radius can be generalized to the whole country.

Building on work begun by Felice Marlor (formerly with ERS) and **Jim McGlone**, **Dan Milkove** has constructed several computer files and SAS programs that add zip codes to files with State and county FIPS codes and MSA codes. These types of codes identify localities. Files with MSA and FIPS codes are readily available in ERS, but it is believed that zip codes coming directly from the respondents are more accurate than zip codes that are added later through an unknown methodology. Dan has made a SAS file containing all zip codes as of 1989, along with corresponding FIPS codes, which can be used to assign FIPS, MSA, CMSA, and NECMA codes.

Publications

Federal Nonfarm Business Credit Assistance: An Analysis of Disbursements to Rural Areas (Staff Report AGES 9214), by **Jim McGlone** and Felice Marlor (formerly with ERS), was published in May. It shows that rural businesses have done well in competing for the Federal credit assistance dollars available to them. On the basis of per capita and per business disbursements, rural counties receive more assistance from Federal credit programs available to rural areas than urban counties receive from programs available to urban areas. However, persistent poverty counties fare worse than the Nation as a whole in getting assistance.

Papers Presented and Meetings Attended

Jim Mikesell attended the annual meeting of the Western Research Coordinating Committee on "Rural Finance and Development in the West" (WRCC-63), in San Diego, January 8-9. WRCC-63 was recently renewed for 3 years with an expanded agenda that continues to emphasize finance topics and additional development issues. Issues relevant to the rural West were discussed at the meeting.

Jim spoke on the broad spectrum of data sources that are useful to rural development researchers. Paul Barkley (Washington State University) presented a paper, "Searching the Past for Glimpses of the Future in Rural Development." Ed Blakely (University of California, Berkeley) spoke on policy issues in rural

development that could have a marked impact on rural communities. He discussed these policies: (1) the Clean Air Act, which could cause relocation of activities to rural communities, particularly those with telecommunication centers, (2) the North American Free Trade Agreement, which could cause major shifts in the location of economic activities, and (3) the closing of military bases which could make available concentrations of quality rural infrastructure for commercial use.

Ron Durst attended the National Association of Wheat Growers (NAWG) annual convention in Reno, Nevada, in January. Ron presented an overview of the President's tax proposals and other current agricultural tax issues to the NAWG committee on taxation. Issues discussed include capital gains, investment incentives, health insurance deductions for the self-employed, and the increased burden of self-employed and social security taxes on farmers and other small businesses. The tax committee is responsible for developing resolutions regarding tax issues of importance to farmers that are then used to frame the NAWG position on these issues.

Briefings and Miscellaneous

Ron Durst and **Michael Compson** attended several meetings with representatives from the Office of Energy and the Office of General Counsel. The purpose of these meetings was to discuss options for modifying the current excise tax exemption for ethanol fuels to provide greater flexibility with regard to fuel blends. Ron and Mike suggested alternatives for modifying the current tax code to provide this increased flexibility.

Ron Durst met with Keith Collins (EAS) and representatives from the National Cotton Council of America to discuss concerns over ASCS reporting of "market gain" on certain CCC transactions. The primary concern of the industry representatives is that farmers might report the full amount of the market gain as taxable income, resulting in double taxation of all or part of the market gain for some farmers. The Cotton Council was also concerned that correctly reporting only the taxable portion of the market gain could trigger an IRS audit of a farmer's tax return. The purpose of the meeting was to elicit USDA's views on the matter prior to raising the issue with the IRS.

HUMAN RESOURCES AND INDUSTRY BRANCH

Branch Office

Research and Analysis

Calvin Beale has been studying nonmetro prisons and their effects on local economies. Prison work is a growing industry in some nonmetro areas. In 1991, 44 percent of all inmates resided in nonmetro prisons, while only 23 percent of the total population lived in nonmetro America.

Meetings Attended and Papers Presented

Calvin Beale reviewed 1980-90 population trends in rural areas at a seminar for news reporters interested in demography. The seminar was sponsored by the Washington Journalism Center and was held in February.

Dave McGranahan, Tim Parker (RL), Merritt Hughes (RI), Andy Bernat (RI), and Tom Hady (NEH) attended a conference titled "Rural America: New Technology for Economic Development" in March. Sponsored by the Congressional Clearinghouse for the Future, the conference explored ways that new information technology could assist rural economic development.

Population Studies Section

Publications

A report titled *Residents of Farms and Rural Areas: 1990*, U.S. Bureau of the Census, Current Population Reports, Series P-20, No. 457, written by Don C. Dahmann (Bureau of the Census) and Laarni T. Dacquel will be released in June.

Briefings and Miscellaneous

Margaret Butler participated in the Workshop on Workforce Diversity, sponsored by ERS on May 4-5. She spoke on her personal views of employment at ERS over the past 20 years.

John Cromartie, Paul Frenzen, and Linda Swanson and Bob Hoppe (FSFA) described some of the activities of the Section at a presentation for the Population Data Analysis, Dissemination and Utilization training program of the U.S. Bureau of the Census on March 24. The program provided advanced training for government demographers and statisticians from developing countries. Participants included officials from 12 Asian, African, and Eastern European nations.

On March 30, in Charleston, South Carolina, Calvin Beale (Branch Office) and Linda Swanson spoke on rural and farm population trends to meetings of the Soil Conservation Service water resource program managers. SCS is undertaking a major review of its water work.

Linda Swanson and Tom Carlin (FRE) met with members of the Rural/Small Church Network of the U.S. and Canada in Washington, D.C., April 2. They discussed the farm economy and rural population trends.

Rural Industry Section

Research and Analysis

Martha Frederick is studying the impacts of tourism development in a book review she is working on for *Economic Development Quarterly*. The major finding is that the positive and negative effects of tourism are usually interrelated and simultaneous. Careful planning is needed to minimize the negative economic, cultural and environmental effects of tourism.

Andy Bernat and Deborah Tootle have been analyzing nonmetro manufacturing industries using unpublished data from the 1977 and 1987 Censuses of Manufactures. Preliminary results indicate that output per production worker was more than 25 percent lower in nonmetro manufacturing establishments than in metro for both years. Even though the nonmetro share of manufacturing output rose between 1977 and 1989, the productivity gap widened slightly. Some of this gap can be attributed to lower capital-labor ratios in nonmetro establishments; however, further work is being carried out to identify the major causes of this gap.

Mike Lahr has been examining the effects of aggregation on the accuracy of regional input-output models. Preliminary results show that even after controlling for the change in model size, factors such as the regional economy's self-sufficiency, interconnectedness, degree of diversification, and size play major roles in inducing aggregation error.

Mike Lahr has also been designing an algorithm for developing hybrid regional input-output models. The algorithm identifies the sequence in which sectors should be surveyed and the set of questions that each sector should be asked to keep survey costs to a minimum.

Merritt Hughes has begun evaluating the impact of catastrophic storms on local economies. Physical damage from storms generally begins with wind speeds in excess of 70 miles an hour, and usually affects smaller buildings, such as residences, more than large office buildings. The effect on local industries differs both in terms of how quickly and severely the impact changes the income trend and the rate of recovery.

Publications

Mike Lahr and Andrew Haughwout (University of Pennsylvania) co-reviewed the book *Industrial Location and Public Policy*, by Henry W. Herzog and Alan M. Schlottmann (University of Tennessee) in the February 1992 issue of the *Journal of Regional Science*.

The February 1992 issue of the *Journal of Regional Science* published the second of a 2-part article by Merritt Hughes. The article is titled "General Equilibrium of a Regional Economy with a Financial Sector Part II: A Simple Behavioral Model". The first part, published in the preceeding volume of the journal, presented the accounting framework underlying this model.

Papers Presented and Meetings Attended

Andy Bernat attended the annual meeting of the NE-162 Committee in Reno, Nevada, February 23-24.

Deborah Tootle attended the 1992 Annual Meetings of the Southern Sociological Society in New Orleans, April 9-12. She organized a paper session on the consequences of recent changes in the economy. Papers in the session covered women's employment, the informal economy, and organization of the Japanese and American auto industries. While in New Orleans, Deborah met with other members of the S-229 Regional Project Technical Committee, who are planning to produce and distribute a PUMS-D version of the 1990 Census. She also met with the Southern Stratification Research Group to discuss her current research on the changing organization of production and measuring flexibly specialized production.

Briefings and Miscellaneous

Jim Miller and Andy Bernat attended a project review session at the Aspen Institute in Washington, DC, on February 21.

Michael Lahr presented two in-house seminars. The first, on March 2, was on the the potential of capitalizing rural public goods and amenities. The other, presented with Robert Gibbs (RL) discussed the

determinants of migration propensity across discrete distances and was held on March 23.

Rural Labor Section

Research and Analysis

Elizabeth Dagata is currently studying the effects of the 1990-91 recession on metro and nonmetro workers in different industrial and occupational groups. Preliminary results of the analysis of Current Population Survey data show that the historically most recession-vulnerable industries and occupations, such as manufacturing, construction and skilled crafts, have again been most affected by the recession in both metro and nonmetro labor markets. The number of workers in the natural resource industries dropped more in nonmetro than metro labor markets, while metro labor markets lost more government workers than nonmetro labor markets. Findings also suggest that the popular description of this recession as more "white collar" than previous recessions, applies more to workers in metro than nonmetro areas. An article detailing the results of the study will be published in a forthcoming issue of *Rural Conditions and Trends*.

Tim Parker has developed seasonally adjusted employment and unemployment estimates for metro and nonmetro areas that provide more timely estimates of rural economic conditions for ERS publications such as *Rural Conditions and Trends*. Tim calculated a historical series of seasonally adjusted Current Population Survey (CPS) and Bureau of Labor Statistics (BLS) data using a statistical procedure called X-11 ARIMA (Auto-Regressive Integrated Moving Average). The X-11 ARIMA seasonal adjustment procedure is used by the BLS to seasonally adjust their published labor force statistics at the national level. However, Tim has developed adjustments to the BLS procedure that accomodates for the gaps in the availability of nonmetro data and the smaller sample size used in nonmetro areas. Preliminary analysis of the seasonally adjusted data suggests that they provide reliable and timely estimates of rural labor market trends. Application of the new procedure to fourth quarter 1991 data indicated that nonmetro unemployment was no higher than metro, for the first time since 1978.

Paul Swaim and Ruy Teixeira collaborated with researchers at the University of Massachusetts on a research proposal that was submitted to the Cooperative State Research Service of USDA in March. They proposed using a variety of new data sets to examine the potential role of schools and job training programs in preparing rural workers for employment in

growing sectors of the economy and in fostering economic diversification in rural areas.

Publications

Ruy Teixeira and Lawrence Mishel's (Economic Policy Institute) article, "Upgrading Workers's Skills Not Sufficient to Jumpstart Rural Economy," appeared in the June-September issue of *Rural Development Perspectives*. Ruy and Larry analyzed trends in job-skill demands and supplies since 1970 and concluded that a "supply-push" strategy to stimulate rural growth by simply increasing rural schooling appears unpromising because relatively few high-skill jobs are located in rural areas. The technical details of their argument are presented more fully in *The Myth of the Coming Labor Shortage in Rural Areas*, which was published in April by the Economic Policy Institute.

Ruy has also completed final revisions on his article, "Demographic Change and Human Capital Endowment of Rural America," which will appear in the forthcoming ERS monograph, *Population Change and the Future of Rural America*, being edited by David Brown (Cornell University) and Linda Swanson. Finally, Ruy is co-author of the chapter "Human Capital, Labor Supply, and Poverty in Rural America" that will be included in the forthcoming Westview Press book, *Poverty in Rural America*, edited by Gene Sommers.

Papers Presented and Meetings Attended

Robert Gibbs presented a paper titled "Early Work Experience and Status Attainment: A Comparison of Urban and Rural Youth in the 1980's" at the Eastern Economic Association annual meetings in New York City on March 28. The paper documents initial jobs and subsequent wage growth among young labor force entrants after high school between 1979 and 1985. Compared with metro youth during the time period, nonmetro youth were found to be less likely to enter managerial or professional occupations and to experience slower wage growth in the first three years after graduation. A regression analysis of the data from the National Longitudinal Survey of Youth indicates that both lower-status first jobs and rural residence contributed to the slower wage growth. Also, the median length of early jobs was similar for most metro

and nonmetro youth. Nonmetro women, however, tended to remain at the same job longer than other youth.

Paul Swaim organized and chaired a session on "Women and Work" at the American Social Science Association meetings in New Orleans in January. At that session, Mike Podgursky (University of Massachusetts) presented Paul and Mike's paper, "Female Labor Supply Following Job Displacement: A Split-Population Model of Labor Force Participation and Job Search." This paper develops a split-population survival time model that encompasses both the post-displacement labor force participation decision and unemployment durations for women choosing to search for a new job. Maximum likelihood estimates of the model's parameters indicate that approximately 15 percent of the "working age" women losing full-time jobs drop out of the labor force for an extended period of time.

Paul made a presentation on "Current Issues for Public Job Training Programs" at a conference on "Employment and Unemployment" sponsored by the Jerome Levy Institute for Economic Policy of Bart College in New York State in March. While at the conference Paul also participated in a policy "round table" discussion on labor market policy and was a discussant for two research papers.

Personnel

Ruy Teixeira return to ERS in March, after a 10-month leave of absence. During that time, he was in residence at the Brookings Institution where he wrote a book on the problem of low voter turnout in the United States. The book will be published by Brookings in the early fall.

Linda Ghelfi, Tim Parker, Paul Swaim, and Ruy Teixeira received an Administrator's Special Merit Award for their contributions to *Education and Rural Economic Development*. They shared the award with David McGranahan and Molly Killian (OD).

NATIONAL ECONOMY AND HISTORY BRANCH

View from the Branch

By Tom Hady, Branch Chief

One of the things the View column is useful for is to issue "well done's" to people whose contributions might otherwise go unheralded outside the Branch. In this column I want to concentrate on "chores."

I use the term advisedly. My dictionary lists three definitions of chores: (1) "the regular or light daily work of a household or farm," (2) "a routine task or job," and (3) "a difficult or disagreeable task." Those fit the category of work I'm talking about, and notice that none of those definitions imply the work is unimportant. On the contrary, the chores I have in mind are vital. Just as the farm would not function without its "regular daily work", the Branch wouldn't either. Furthermore, the work I have in mind is often "difficult or disagreeable," just because it is "routine." Research at the cutting edge of the profession often is more fun. Without these activities to put our expertise at the service of people who need it, though, we're not nearly as useful to the taxpayers.

First and foremost among our chore-doers are our support staff, **Annette Dargan**, **Linda Felton**, **Juanita Holder**, **Pat Saunders** and **Vivian Whitehead**. Apart from the fact that the rest of us wouldn't get paid without them (I don't think there's a "professional" in the Branch who knows how to do electronic T&A's), they solve problems for us daily. Three of them have been recognized with spot awards in the last few months: **Juanita Holder** for figuring out how to convert an old manuscript from an earlier word processing program to WordPerfect, **Linda Felton** for arranging some especially difficult foreign travel, and **Pat Saunders** (together with **Gwen Coleman [FDP]** and **Sybil Glascock [OD]**) for harmonizing a disparate set of Branch submissions into the format the Administrator's Office wanted for a report for Congress. Those are only a few examples of the good job our support staff does for us daily.

Equally important are the questions our people answer daily. Last year about this time, for example, I had so many calls from people around USDA asking "My boss wants me to put this series of appropriations into constant dollars. How do I do that?" that I did a one-page explanation to fax to them. (Of course, as soon as I wrote the thing, the calls quit.) In its role as the Department's institutional memory, the History Section probably fields the most calls like that, but the other two Sections do their share with questions on GNP, on

the size of the food and fiber system, and others. Two of those activities got special recognition recently. **Doug Bowers'** participation on the planning committee for the ERS 30th anniversary was recognized an Administrator's Superior Service Award. **Ron Babula** lent his expertise to the Department-wide review of pending regulations ordered by the President in the State of the Union Message, and was recognized with a spot award. More often, though, the reward is the satisfaction of knowing that somebody cared about something you knew, and perhaps a thank you from them.

A hearty "Well Done" to everybody in the Branch for the job you do with chores.

Briefings and Miscellaneous

Tom Hady received an Administrator's Superior Service Award in March "for management excellence in the accomplishment of employment and career opportunity goals for women and minorities."

Personnel News

Allen Malone, M.S. student at **Prairie View A&M University** will be a summer intern in the Branch. **Malone** will be working with **Gerald Schluter** assembling a bi-regional (urban-rural) CGE modeling database for implementing a rural-urban CGE model of the differential effects of agricultural trade liberalization upon rural and urban areas. **Allen**, a native of **Oklahoma**, did his undergraduate work at **Prairie View A&M**.

Agricultural and Rural History Section

Research and Analysis

Anne Effland prepared a section on the history of the farm labor supply in the United States since World War II for a study of the fruit and vegetable industry being coordinated by CED. **Anne** is also serving on an interagency study group to examine the effects of the Resource Conservation Act on the rural sector. The study group is coordinated by the Soil Conservation Service.

Papers Presented and Meetings Attended

Cecil Harvey, **Anne Effland**, and **Doug Bowers** attended the U.S. Capitol Historical Society's 1992 Symposium on Native Americans and the Early Republic, March 4-

5. Sessions titled "Politics and Diplomatic Realities," "Resistance and Accommodation," "Social Structure and Domestic Life," and "Images and Counterimages" examined the lives of Indians in the early American republic.

Doug Bowers attended the Organization of American Historians meeting in Chicago, April 2-5. The Agricultural History Society holds its annual meeting in conjunction with this organization. This year's presidential address by Richard Lowitt, University of Oklahoma, focused on Henry A. Wallace's early study of irrigation agriculture. The general meetings had several papers on farm groups, New Deal agriculture policy, and rural life.

Lowell Dyson, Anne Effland, and Wayne Rasmussen attended the District of Columbia Historians Spring luncheon in March. D.C. Historians brings together academic and public historians twice a year to share news of ongoing projects and upcoming events.

Briefings and Miscellaneous

Doug Bowers and Lowell Dyson gave an extensive briefing on the history of U.S. farm organizations to Vladimir Zolotukhin of the Institute of U.S. and Canadian Studies of the Russian Academy of Sciences. Professor Zolotukhin, the only Russian historian studying American farm groups, is preparing an update to a previous study which will cover the 1970's and 1980's. Knowledge of American agriculture and farm groups may prove useful to the former Soviet republics as agriculture is privatized.

Anne Effland prepared a briefing paper on the history of women in American agriculture as background for a talk by Deputy Secretary of Agriculture Ann Veneman at a California state government women's history month program.

Lowell Dyson served on the committee of the Agricultural History Society which awarded the Saloutos Prize for the best book in the field of agricultural history published in 1991. The award was presented at the Society's annual meeting in Chicago to David Hamilton for *From New Day to New Deal: American Farm Policy from Hoover to Roosevelt, 1928-1933*. Hamilton researched part of the book using the files of the Agricultural and Rural History Section.

Macroeconomics Section

Research and Analysis

Paul Sundell has been continuing his work on modeling short and long-term commercial bank agricultural interest rates. An earlier version of Paul's work on short-term agricultural loan pricing at commercial banks appeared in the December 1991 *Agricultural Income and Finance Situation and Outlook Report*, in an article titled "Determinants of Short-term Agricultural Loan Rates at Commercial Banks." Paul has revised and updated his models for short-term agricultural loans at small and large banks. Also, Paul has been modeling commercial bank farm mortgage rates as well.

David Torgerson has been examining the income and price elasticities of food and clothing consumption, using the newly revised National Income and Product Account data released last December. The most robust of the preliminary results is that the income elasticity of food consumption is 0.2. While this value is slightly lower than previous estimates using older time-series data, it is consistent with some recent cross sectional studies of food stamp recipients. Further work will be done using real food stamp expenditure data to determine whether the income elasticity of food continues to have a value near 0.2 when this factor is included.

Publications

Jennifer Beattie and Ralph Monaco coauthored articles on the general economy for the March issue of *Agricultural Outlook* and the February issue of *Agricultural Income and Finance Situation and Outlook Report*. Both articles address the current macroeconomic situation and outlook. Although the economy slowed at the end of 1991 and the unemployment rate reached its highest level in more than 5 years in the early part of 1992, there were some signs -- rising retail sales and housing starts -- that a recovery would begin in earnest this spring. Modest inflation and relatively stable interest rates appear to be likely over the next 6 months.

Mark Denbaly and Paul Sundell's staff paper, *Modeling Long-Term Government Bond Yields: An Efficient Market Approach*, was published in March. Mark and Paul developed an econometric model of long-term government bond yields that incorporates the effects of movements in foreign bond yields, the slope of the yield curve, and expected movements in short-term interest rates.

Karen Hamrick wrote an article "2005: A Job Outlook" for the March issue of *Agricultural Outlook*. The article

looked at how rural areas are positioned for the industrial and occupational changes expected through 2005. According to Bureau of Labor Statistics, the occupations of farmers and farm workers are projected to experience the largest job declines over the next 15 years of all occupations.

Papers Presented and Meetings Attended

Jennifer Beattie attended a conference on Long-Range Perspectives on post-Cold War Europe on March 24. The conference, sponsored jointly by the CIA and the Foreign Service Institute focussed on European political union, economic integration, and security issues, and it brought together panelists from the Federal Reserve Board, the Kennedy School, and several universities. Panelists argued that the European Community will not be ready for full political union for many years, and that immigration, especially from formerly Eastern bloc countries, will become serious problem for Europe over the next few years. On the economic side, panelists argued that greater convergence of inflation, interest rates, and fiscal policies is necessary if there is to be a successful European Monetary Union, and that the EC is less likely to raise trade barriers with non-EC countries than is commonly feared.

Ralph Monaco and John Kitchen (currently on detail to the Council of Economic Advisers) spoke at the College of William and Mary's program titled "Policymaking in Washington." The program, sponsored by the Thomas Jefferson Program in Public Policy, was held in Washington, D.C., on March 18. Ralph and John discussed current Federal budget issues, how budget policy is made, and the role of macroeconomic assumptions in budget projections.

Upcoming Events

The Fifth Annual Federal Forecasters Conference will be held on September 17 in the USDA South Building. ERS is a cosponsoring agency. For information on registering or submitting a paper, contact Karen Hamrick at (202) 219-0782.

The Proceedings of the Fourth Annual Federal Forecasters (1991) conference will be available soon. Copies of the Federal Forecasters Directory for 1991 are still available. Contact Karen Hamrick at (202) 219-0782.

Personnel News

Karen Hamrick was named to the Federal Forecasters Conference 1992 Organizing Committee.

National Aggregate Analysis Section

Publications

Ronald Babula and Robert F.J. Romain (Laval University) had an article, "Canada's Broiler Supply Management Program: A Shield Against U.S. Price Volatility?" published in the Fall 1991 issue of *Journal of Agricultural Economics Research*. The authors used monthly vector autoregressions of U.S. and Canadian broiler prices (farm and retail) estimated for periods before and after Canada introduced its broiler supply management program to explore how effectively the program shielded Canadian broiler prices from changes in U.S. prices. They find the cross-border price responses are either smaller in magnitude and duration or have been eliminated since Canada's broiler supply management program began in 1979. The results quantify the degree to which the program has been effective in shielding Canadian prices.

Papers Presented and Meetings Attended

At the 1992 Southern Regional Science Association Meetings in Charleston, South Carolina, April 3-5, Gerald Schluter presented a paper, "Empirical Issues in Constructing A Disaggregated Household SAM" coauthored with Adam Rose (Pennsylvania State University) and Ken Hanson. This paper reported the status of a cooperative effort between Pennsylvania State University and ERS that is developing a disaggregated household Social Accounting Matrix (SAM) for use in the agency's Input-Output and Computable General Equilibrium (CGE) models. There was general interest in the paper, but questions centered on the possibility of regional disaggregation and the likelihood that the data effort will evolve in that direction.

Ken Hanson discussed a paper, "North American Trade Liberalization and the Role of Nontariff Barriers" at the United States International Trade Commission's symposium titled "Economywide Modeling of the Economic Implications of a FTA with Mexico and a NAFTA with Canada and Mexico." The symposium, held February 24-25, assembled leading modelers of the economywide impacts of economic policies and included reports of the major active efforts to use economywide models to assess the effects of the two potential trade agreements. Sherman Robinson (University of California-Berkeley and cooperator with ERS) presented a paper titled "Agricultural Policies and Migration in a U.S.-Mexico Free Trade Area: Computable General Equilibrium Analysis" and discussed another paper.

Three of the six application papers presented at the symposium used CGE models which were either direct modifications or companion versions of the Section's CGE model. The symposium was part of an ongoing ITC effort to analyze the effects of the proposed trade agreements for the Office of the Special Trade Representative. The current schedule is to compile the proceedings of the symposium as a report to the Office of the Special Trade representative by May 29.

On April 2, **Ron Babula** delivered a seminar in French to the faculty of the Department of Rural Economy at Laval University in Quebec: "Regional Responsiveness of Agricultural Interest Rates to US Treasury Bill Rates." This seminar summarized the results reported in an article in the December 1991 issue of *Agricultural Income and Finance*. On April 3, he delivered another seminar (in English): "Using Campbell-Shiller's Error Correction Model to Enhance Forecasts of Corn and Beef-Based Prices." This seminar delivered the results of work by Ron and David Bessler (Texas A&M University). The results show how modeling cointegrating relationships enhances the accuracy of out-of-sample forecasts of monthly corn and beef-based commodity and food prices.

While at Laval, Ron assisted Rural Economy Department graduate students with various problems in programming time series models using the Regression Analysis of Time Series software package. He also discussed some possible research projects with Dr. Robert Romain.

Kenneth Hanson presented three lectures on Computable General Equilibrium Modeling to an operations research class at the Food and Resource Economics Department, University of Delaware, during April. The class had hands-on experience using the model, programmed in GAMS, at a computer laboratory made available by the School of Nursing. Graduate students seem to take an interest in applied modeling capabilities.

On February 21, Maureen Kilkenny (University of Colorado and formerly of ERS) presented a seminar, "Rural-Urban CGE Models" in which she reported the results of a cooperative agreement to develop this type of model. The stylized model she presented analyzed the differential effects of United States agricultural trade liberalization upon rural and urban areas of the Nation. She finds that while the Nation gains from agricultural trade liberalization, urban areas gain at the expense of rural areas. Some of the businesses and workers that provide supporting producer and consumer services may not be mobile between rural and urban areas and the gain from the elimination of \$10 billion

of direct government payments most spent in rural areas largely accrues to urban areas.

In mid-January, **Gerald Schluter** helped conduct a workshop presented by the Forest Service in which they provided training in their IMPLAN input-output based planning model to representatives from the 1890 Universities. The workshop held at Florida A&M featured: (1) hands-on experience in running the model, (2) laboratory exercises, (3) presentations from experienced input-output and IMPLAN analysts, and (4) one-on-one consultations between workshop attendees and experienced analysts. Schluter also addressed the group about ERS's cooperation with the 1890 Universities in general and ARED's workforce diversity program in particular.

Personnel News

Gerald Schluter was elected to the Executive Council of the Southern Regional Science Association for the 1992-95 term.



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